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UNCLAS SECTION 01 OF 04 BRUSSELS 004181

SIPDIS

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SUBJECT: THE STABILITY PACT: PRESSING REFORM THROUGH
REGIONAL COOPERATION

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9/15/04 email

SUMMARY

11. (SBU) With South Eastern Europe facing a decisive year in 2005, the Stability Pact (SP) continues to generate pressure for further political and economic reforms in the region and to draw the region closer to European and Euro-Atlantic integration. The Pact is complementing its ongoing efforts in the areas of democratization, economic reform and in the security field with a strong push for implementation and regional ownership of programs and commitments undertaken by SEE governments. There has been particular success on the economic front -- promoting regional free trade agreements and restoration of the regional power grid, improving the investment climate -- and in fostering regional cooperation on migration and refugee returns as well as law enforcement. The Pact and Senior Coordinator (SC) Erhard Busek have helped restore an atmosphere of cooperation among SEE governments and political leaders. As intended at its creation in 1999, the Pact plays an important supporting role, as individual SEE governments, the Contact Group and other members of the international community work toward for lasting political solutions in the areas of greatest challenge: Serbia and Montenegro, Kosovo and Bosnia-Herzegovina (refs A and B). END SUMMARY.

Five Years of the Pact: Creating "Critical Mass" of Regional Communication

12. (U) Launched under Presidential auspices in the aftermath of the spring 1999 Kosovo air campaign with the goal of helping restore peace and stability to the Balkans, the Stability Pact initially captured some 200 so-called "quick start" assistance programs under its umbrella. The Pact's early years under the leadership of Bodo Hombach were marked by feverish activity and a fair measure of coordination challenge as it sought to bring coherence to international donor efforts in the war-torn Balkans. Since 2001, with former Austrian Vice Chancellor Erhard Busek as Senior Coordinator, the Pact's activities have become much more streamlined and clearly focused on six core objectives (see para five below). The Pact is also placing strong emphasis on implementation of existing agreements and commitments undertaken by regional governments and is pressing hard for further regional ownership of a range of important initiatives. With evident progress in the region toward EU integration on the part of EU candidates Bulgaria and Romania as well as Croatia and most recently Macedonia, the Pact has contributed to achieving the twin goals of bringing peace and stability to the Balkans as well as further European integration in the long-challenged South East European region. The Pact also represents a useful channel to draw Moldova closer to the European mainstream, although with evident limitations on near-term prospects for significant progress.

13. (SBU) Conversations with government officials and politicians confirm the sense of achievement by the Pact as a concerted undertaking by international donors and regional assistance recipients. Both in public statements and in September 27 comments to Deputy Special Coordinator (DSC) Mozur, EU Commission Director for the Western Balkans Reinhard Priebe strongly praised the accomplishments and positive impact of the Stability Pact and stressed its role as a key partner for the EU in the region. Typical comments from the region stress, as a leading Bulgarian parliamentarian recently noted to DSC, the clear benefit of the "critical mass of communication" created by the Pact in the region. A senior Hungarian Interior Ministry official highlighted the Pact's success in providing a venue for close collaboration among regional Ministers of Interior, citing the stark contrast between the cordial and productive September 14 meeting of regional Ministers in Brdo, Slovenia with the icy, distrustful encounters of just a few years ago. Other examples abound.

14. (U) Some skeptics remain, however. Regional and donor critics hit the Pact for its inability to deliver fully on promised infrastructure and other economic improvements and perceived shortcomings in assistance coordination. On the former, such criticism often draws on long existing skepticism and opposition dating from the Pact's early days, when it was finding its place in the overall international community effort in the Balkans. Criticism from the region often implies the expectation that the Pact was to serve as a Marshall Plan in the Balkans, rebuilding and restoring the region to some version of perceived pre-1990 halcyon days. Critics of lapses of coordination do not see the Pact's efforts to streamline and focus on core objectives and fail to recognize the extent to which assistance levels have decreased as peace and stability have settled into the region. And there have been some bumps in the road on some initiatives, where results have been less than expected or where poor performance by individuals has undercut achievement.

SP Initiatives have Impact, Economic Objectives to the Fore

15. (SBU) A brief overview of key Stability Pact activities confirms success in its role of supporting a return to diplomatic normalcy and regional cooperation in South Eastern Europe. These activities have to be viewed in context, against the backdrop of substantial but declining bilateral assistance from the US and other donors and a build-up of EU pre-accession assistance - focused on acquis requirements -- to candidates Bulgaria, Romania, as well as Croatia and prospectively Macedonia.

-- Democratization and Human Rights (Working Table I) with core objectives of Media and Local Democracy/Cross Border Cooperation: Among key priorities, the Pact is joining forces with donor governments and leading NGOs to promote active inter-parliamentary cooperation. The goal: to ensure that regional parliamentarians and staffers have the information, understanding and political will they need to ratify and implement the web of already-concluded regional economic agreements in trade and energy as well in other policy areas. Among other SP initiatives is a media task force with the goal promoting responsible standards for the regional media and tempering corrosive and irresponsible journalism in tense areas. The Pact is seeking to deepen regional commitment to reconciliation by proposing government-supported youth exchanges between Serbia and Montenegro, Kosovo, and Bosnia-Herzegovina (and perhaps others) along the lines of successful past Franco-German programs.

-- Economic Reconstruction, Cooperation and Development (Working Table II) with core objectives of Interregional Trade/Investment Compact and Regional Infrastructure/Energy: The Pact has worked extremely hard in tandem with the OECD, EBRD, other IFIs and such bilateral donors as the U.S. to win regional governments' commitment to an interlocking system of free trade agreements (creating a common market of some 60 million people), economic reform measures under the "SEE Investment Compact", and the so-called Athens Process to restore the regional power grid. As a supporting measure, SPSC Busek is devoting considerable time and effort to heighten the role and influence of the regional Business Advisory Council (BAC), with the US Deputy Senior Coordinator exploring further ways to strengthen the role of US business in the BAC. All are mature and highly applauded initiatives. They now demand a concerted effort and political push by all concerned -- most significantly by regional governments and parliaments -- for final ratification and implementation. This task is perhaps the Pact's key priority for the year immediately ahead.

-- Security Issues (Working Table III) with core objectives of Anti-Organized Crime and Migration/Asylum/Refugees: The Pact has worked successfully on initiatives involving regional cooperation on migration and refugees, border cooperation, against trafficking in persons (graduating the initiative to the broader mandate of a special OSCE representative), against organized crime and corruption and on such military issues as arms reduction and small arms control. The SP Disaster Preparedness and Prevention Initiative has set the stage for meaningful regional cooperation should a cross-border natural disaster occur in the seismologically unstable and infrastructure-poor region. An initiative addressing military "conversion" is evolving in tandem with NATO, the World Bank and other donors (possibly Nordic). The concept posits limited regional cooperation in dealing with military down-sizing, base closing, defense plant conversion, and environmental issues, with Serbia-Montenegro the primary country of concern. NATO SG de Hoop Scheffer agreed to explore possibilities with the SP and other donors during his September 15 meeting with SC Busek, expressing support for the undertaking while cautioning on NATO's clear resource constraints.

16. (SBU) Achieving regional ownership of reforms and of SP initiatives is a leading priority of the Pact. Here, there is evidence of success. Regional governments are assuming costs and responsibility by seconding personnel and providing facilities to a number of regional initiatives. For example, the Sava River Commission -- involving four regional governments along with several donors in Sava River environmental management -- is opening (in October) a regional office in Zagreb. Similarly, the Croatian government is strengthening the regional center for arms control and verification (RACVIAC) in Zagreb and promoting it as a regional center for defense conversion issues, doing so with support from donors and expertise from various quarters, including NATO. There are other examples. The regional anti-corruption initiative (SPAI) based in Sarajevo and the newly established regional center in Skopje to address migration and related issues which were formerly the focus of the Pact's MARRI initiative, led most recently by new UNMIK head Soren Jessup Petersen. By year's end, the SP education reform initiative plans to move the secretariat of the Austrian-led "Graz process", incorporating South Eastern Europe into a European area of education, to Zagreb with its Vienna activities winding down as a result. The SECI anti-organized crime center in Bucharest, now loosely associated with the Stability Pact due to SC Busek's lead role in both, is a success story, highlighted by a forthcoming positive EU assessment that lays out a vision of SECI cooperation and possible incorporation into EUROPOL over the coming decade.

17. (SBU) One particular challenge: reinforcing the move to regional ownership by re-energizing the South East European Cooperation Process (SEECP). Present chair Romania, distracted by its upcoming elections, could be doing more, although Romanian officials are hosting Foreign Ministers in October and are planning a regional Defense Ministerial to discuss issues related to defense conversion. With an eye to the Greek SEECP chairmanship beginning in April 2005, SC Busek has already started to bolster Greek interest and leadership in ensuring that SEECP plays a more significant -- and positive -- role in the future.

The Coming Two Years: Stability Pact will be a Useful Tool

18. (SBU) The SP can further contribute regional stability and progress over the crucial next years. The context through 2007 is gaining clarity. Bulgaria and Romania, together with the EU, are working toward the January 1, 2007 target date for their accession to the EU. Croatia is progressing along a similar path and initial discussions with Macedonia have started. With such accession prospects, the Pact's target area will necessarily shrink. But regional leverage, spearheaded by the SP, international partners and EU candidates in the region, will generate additional pressure on the remaining countries of the Western Balkans whose reform efforts and commitment to European integration are lagging. We should use this evolving leverage, now and in the future, to strengthen the position of reformers and to press governments and political oppositions in Serbia and Montenegro, Bosnia-Herzegovina, and Albania to embrace the realistic vision of full integration into Europe and the EU over the coming decade.

19. (SBU) With this in mind, the next two years will be critical for the region, particularly in Serbia/Montenegro (Ref A) and certainly for Kosovo, where pressure for a change in the status quo is building. Ref B lays out some elements of the 2005-2006 picture in Bosnia-Herzegovina with the suggestion that a change in the IC posture in that country will be a significant discussion issue in this period. Albania is moving ahead at times, while stepping back at others. On September 14, the EU delivered a tough, critical message to Tirana (backed by Embassy Tirana - Ref C) on its mixed record and uncertain commitment on reform, making clear the need for Albania's 2005 elections to demonstrate the country's readiness to progress toward European integration. With the clear challenges facing these countries, the Stability Pact's consistent role of facilitating regional cooperation and of providing steady regional pressure for continued reform -- linked to the EU and Euro-Atlantic integration and the holy grail of eventual EU accession -- remains essential to the international community's set of diplomatic tools and pressure points.

10. (SBU) Like other international players and donors active in South Eastern Europe, the Stability Pact is assessing next steps and medium-term objectives. Discussion with the EU on CY 2006 funding is ongoing, with initial soundings are upbeat. EU officials are positive on the Pact, supportive of its continued work, but clear to ensure that it plays a supporting and complementary to the EU's main thrust of promoting accession for candidate countries and progress

toward candidacy status by the others.
SC Busek: On the Road, On Message in Advancing the Reform
Agenda

11. (SBU) Through his seemingly indefatigable travels and his straight talk and problem solving, and a senior EU political figure concentrating exclusively on the Balkans, SC Busek has won great respect and considerable credibility with senior government officials and politicians throughout the region. He sees Prime Ministers and senior cabinet ministers regularly and constantly presses hard on the reform agenda and on cooperation with Stability Pact initiatives. His efforts underpin the Stability Pact's success to date and will likely ensure further positive regional government cooperation and action. He and the Pact are working toward a successful meeting of the Pact's Regional Table November 18-19 in Skopje, where regional leaders and donors will meet to assess progress, set priorities, and establish the Pact's work plan for the turning point period 2005-06.

MCKINLEY